**Russia-Ukraine Crisis and Global Economy**

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While we often hear about mobilising alternative sources of crude oil, natural gas, and wheat to offset the grave impact of the crisis, there is less discussion on other strategic commodities. Threatening the fragile post-pandemic recovery of the global economy, the Russia-Ukraine crisis pushed Brent crude oil prices on upward trends. In addition to this, wheat prices are also up by more than 60 per cent, increasing the risk of hunger and civil unrest in economies where governments can’t afford to further subsidise bread, and which depend on large amounts of wheat imports from Russia and Ukraine — mainly those in the North African, Middle Eastern, and South Asian regions. Other strategic commodities are also impacted by the Russia-Ukraine crisis, in addition to crude oil, natural gas, and wheat markets. Undermining the global recovery and adding to inflationary pressures, Putin’s most recent export ban on raw materials could send ripple effects through the global economy.

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The electricity generation industry in many countries has shifted away from coal to natural gas and renewable energies. But coal is still the main fuel generating electricity in large developing and emerging economies, such as China (around 65 per cent) and India (around 60 per cent). As of 2020, coal accounted for more than 27 per cent of all energy consumption in the world, second only to oil — at 31 per cent. Around 14 per cent of all global coal briquettes exports are sourced from Russia, making it the world’s third-largest exporter of this strategic commodity that is used heavily in power generation and energy-intensive manufacturing. More specifically, coal dominates the world’s electricity generation capacity. More than 35 per cent of the world’s electricity generation in 2020 took place in coal-fired power plants. Many advanced economies — such as the United States — rely heavily on coal for power generation. In 2020, coal was responsible for about one-fifth of all electricity generated in the United States. A prolonged Russia-Ukraine crisis will disrupt the global coal supply, pushing up electricity and overall energy prices and leading to higher costs of economic activity, especially in energy-intensive manufacturing industries — namely, steel and aluminium mills. However, the impact will likely be short-lived. There are many other players — including the United States, Japan, Germany, and EU economies — in the global iron and steel industry that could replace Russia and Ukraine in the medium to long run. However, current iron and steel price jumps would still impact the global economic recovery with potential negative persistent effects in the long run.

Steel and iron are central to the functioning of modern societies. They are used in a wide range of industries, from infrastructure, buildings, machinery, and defence, to transportation, appliances, furniture, and many other household and manufacturing items. Hence, disruptions in iron and steel production in Russia and Ukraine could undermine global economic activity, as Russia and Ukraine account for 7.5 per cent of global iron and steel exports — Russia ranking 5th with a total of 5.2 per cent and Ukraine ranking 15th with a 2.3 per cent share of global exports.

Russia is responsible for 10 per cent of global raw aluminium exports, closely following Canada. Aluminium is central to transport, manufacturing, machinery, appliances, and furniture industries, all of which would suffer from the aluminium supply disruptions caused by the Russia-Ukraine crisis. Similar to iron and steel, however, the aluminium industry has other sizable players —Canada, the United Arab Emirates, India, Norway, Australia, and Malaysia–which can, fully, or at least partially, replace Russian aluminium production in the medium to short-run.

Neon is a byproduct of steel manufacturing and is central to the semiconductor industry. Around half of the world’s neon is supplied by Russia and Ukraine, and more than 90 per cent of neon used in the US chip industry is sourced from Ukraine. The negative impact of neon shortages on an already ailing semiconductor industry cannot be underestimated. Its ripple effect would reach far across the global economy. Russia accounts for 16 per cent and 24 per cent of platinum and palladium global exports, respectively. These metals are mainly used in jewellery, dentistry, and electronics — as electrical contacts, and catalytic converters.

Palladium is also used in the semiconductor industry, which has already suffered from supply bottlenecks and demand shocks caused by the pandemic over the past two years. Hence, platinum and palladium supply shocks will disrupt the production of a wide range of products, from home appliances and automobiles to industrial machinery and other electronic gadgets.

We are two weeks into the worst crisis that Europe has faced since World War II. Many experts anticipate a prolonged period of geopolitical tension with elevated prices and risk premiums across all commodities and foods, especially those directly sourced from Russia and Ukraine.

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